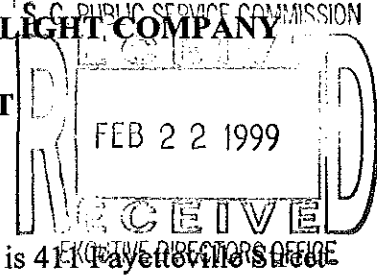


SOUTH CAROLINA PUBLIC SERVICE COMMISSION
DOCKET NO. 1999-001-E
DIRECT TESTIMONY OF CAROLINA POWER & LIGHT COMPANY

WITNESS WILLIAM R. KNIGHT



1 **Q. Please state your name and business address.**

2 **A.** My name is William R. Knight, and my business address is 411 Fayetteville Street
3 Mall, Raleigh, North Carolina, 27602.

4 **Q. What is your position with Carolina Power & Light Company?**

5 **A.** I am the Interim Director - Fossil Fuel Department in the Power Operations Group.

6 **Q. Please state your educational background and experience.**

7 **A.** I have a MBA degree in Commerce from Texas A&M University and a B.B.A.
8 degree from East Texas State University. From 1967 until August 1983, I was
9 employed with the Missouri-Kansas-Texas Railroad Company in Denison, Texas.
10 From September 1983 until August 1997, I held various positions in the Fuel Services
11 Department at Wisconsin Power & Light Company; my last position was Director-
12 GENCO Services with primary responsibility for Fuel Supply, Generating Station
13 Engineering & Generating Company Materials Management. I joined Carolina
14 Power & Light in August 1997 as Manager - Fuel Procurement in the Fossil Fuel
15 Department. In November 1998, I was appointed Interim Director - Fossil Fuel
16 Department.

17 **Q. Have you had any prior testifying experience?**

18 **A.** I testified as the economic and cost witness for the Missouri-Kansas-Texas Railroad
19 Company in rate cases before the Railroad Commission of Texas during the period
20 1980 through 1983.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to show the reasonableness of the Company's fuel
3 purchasing practices and to present fuel cost data for the historical test period January
4 1998 through December 1998.

5 **Q. How much contract coal and spot coal did the Company receive during the test**
6 **period?**

7 A. The Company received 10,224,668 tons of contract coal at an average cost of
8 171¢/MBtu and 1,546,965 tons of spot coal at an average cost of 141¢/MBtu.

9 **Q. What was the Company's inventory of coal at the end of December 1998?**

10 A. The coal inventory as of December 31, 1998 was 1,709,593 tons, which would provide
11 about 42 days' generation based on an 85 percent fossil steam capacity factor.

12 **Q. Please describe Knight Exhibit No. 1.**

13 A. Knight Exhibit No. 1 shows the quality of coal received each month during the period.

14 **Q. What was the average nuclear fuel cost for the generation of electricity during the**
15 **period January 1998 through December 1998?**

16 A. The average cost of nuclear fuel consumed in the generation of electricity during that
17 period was 46¢/MBtu.

18 **Q. During the period January 1998 through December 1998, how many gallons of No.**
19 **2 fuel oil did the Company receive and at what cost?**

20 A. The Company received a total of 29,580,196 gallons of No. 2 fuel oil at an average cost
21 of 45¢/gallon (328¢/MBtu) for that period.

1 **Q. What was the Company's closing oil inventory on December 31, 1998?**

2 **A. The Company's closing oil inventory on December 31, 1998 was 11,776,740 gallons of**
3 **No. 2 fuel oil.**

4 **Q. During the period January 1998 through December 1998, how many gallons of**
5 **propane did the Company receive and at what cost?**

6 **A. The Company did not make any propane purchases during that period.**

7 **Q. What was the Company's closing propane inventory on December 31, 1998?**

8 **A. The Company's closing propane inventory on December 31, 1998 was 333,501 gallons.**

9 **Q. How much natural gas did the Company burn during the period January, 1998**
10 **through December 1998?**

11 **A. The Company burned 3,582,137 MCF natural gas for the period at a cost of 300¢/MBtu.**

12 **Q. Were the inventory levels maintained during the test period appropriate and were**
13 **your fuel procurement practices reasonable and prudent?**

14 **A. Yes. The inventory levels ensured an adequate supply of fuel to meet our customers'**
15 **electrical requirements during this period and the fuel was secured at a reasonable cost**
16 **utilizing prudent procurement practices and procedures.**

17 **Q. Does this conclude your testimony?**

18 **A. Yes, it does.**

CAROLINA POWER & LIGHT COMPANY
ANALYSIS OF QUALITY OF FUEL AS RECEIVED

<u>Month</u> (a)	<u>Type</u> (b)	<u>Percent Moisture</u> (c)	<u>Percent Ash</u> (d)	<u>Percent Sulfur</u> (e)	<u>Btu/Pound</u> (f)
January 1998	Contract Coal	6.81	11.15	.90	12,310
	Spot Coal	6.31	12.14	1.12	12,168
February 1998	Contract Coal	6.56	11.66	.94	12,290
	Spot Coal	6.44	11.38	.95	12,239
March 1998	Contract Coal	7.40	9.86	.77	12,460
	Spot Coal	6.90	11.84	1.07	12,108
April 1998	Contract Coal	6.31	11.06	.91	12,378
	Spot Coal	6.66	11.47	1.00	12,370
May 1998	Contract Coal	6.46	11.25	.94	12,369
	Spot Coal	7.74	14.42	.99	11,702
June 1998	Contract Coal	6.23	11.18	.89	12,341
	Spot Coal	6.32	14.63	.87	11,840
July 1998	Contract Coal	5.92	10.56	.88	12,464
	Spot Coal	6.37	13.25	1.07	11,019
August 1998	Contract Coal	5.73	11.35	.88	12,431
	Spot Coal	5.94	14.12	1.02	11,432
September 1998	Contract Coal	5.37	11.24	.90	12,532
	Spot Coal	5.03	14.89	1.09	11,839
October 1998	Contract Coal	5.70	11.12	.92	12,478
	Spot Coal	4.70	15.03	1.05	11,579
November 1998	Contract Coal	6.03	10.92	.88	12,435
	Spot Coal	5.48	15.90	1.13	11,160
December 1998	Contract Coal	6.40	10.96	.92	12,404
	Spot Coal	5.51	15.12	1.00	11,106